

Date Mailed  
April 28, 2004

BEFORE THE  
PUBLIC SERVICE COMMISSION OF WISCONSIN

Administration of the Mechanisms of Price Regulation Pertaining to  
Verizon North Incorporated on Its June 1, 2003, Anniversary Date

2180-TI-138

**SUPPLEMENTAL DECISION**

This is a supplemental decision in this proceeding, establishing for Verizon North Inc., (Verizon), company-specific infrastructure investment components together with benchmark ranges and component weights. The infrastructure investment components, together with benchmark ranges and component weights set forth in Appendix B, shall be used in calculating the adjustment to the productivity offset on Verizon's anniversary date in the year 2005.

**Introduction**

The price-cap index is the mechanism established by the Legislature in 1993 Wisconsin Act 496 for setting reasonable rates in lieu of rate-of-return regulation. The Commission applies Wis. Stat. § 196.196(1)(c) and Wis. Admin. Code § PSC 163.04 to determine prospective adjustments in the price-cap index. Under Wis. Stat. § 196.196(1)(a), price-regulated services include basic local exchange service as defined in Wis. Stat. § 196.01(1g), and standard business access lines and usage by small businesses with no more than three access lines.<sup>1</sup>

On June 26, 2003, the Commission issued a Notice of Proceeding (Notice) in this docket. The Notice initiated an investigation to administer the mechanisms of price regulation pertaining

---

<sup>1</sup> In the order in docket 2180-TI-111, the Commission suspended the application of Wis. Stat. § 196.196(1)(a) to the extent that section regulates the provision of Basic Message Telecommunications Services.

to the amount that Verizon may increase or must decrease its rates for price-regulated services. This proceeding was also initiated pursuant to Wis. Admin. Code §§ PSC 163.04(2)(c), (d), and (e) to set new company-specific benchmarks for service quality and infrastructure investment, and make any other determinations, as necessary, to use on Verizon's year 2004 and 2005 anniversary dates. An order was issued on July 29, 2003, establishing rate adjustments necessary for the 2003 anniversary date.

On March 1, 2004, Verizon submitted an infrastructure investment objectives plan, in accordance with Wis. Admin. Code § PSC 163.04(2)(dn)2. A draft supplemental decision establishing, for Verizon, company-specific infrastructure investment components together with benchmark ranges and component weights to be used in calculating the adjustment to the productivity offset on Verizon's anniversary date in the year 2005 (relating to 2004 infrastructure performance), was mailed to all parties.<sup>2</sup> Any comments received have been considered in approving this supplemental decision. No hearing was held in this docket and none was requested.

### **Findings of Fact**

The infrastructure investment components, together with benchmark ranges and component weights as set forth in Appendix B, are reasonable for use in calculating the adjustment to the productivity offset on Verizon's anniversary date in the year 2005.

### **Conclusions of Law**

1. Verizon is a telecommunications utility, as defined in Wis. Stat. § 196.01, engaged in providing telecommunications service to the public.

---

<sup>2</sup> The Commission established infrastructure investment benchmarks for Verizon's 2004 anniversary date (to be evaluated against Verizon's 2003 performance) in its order issued May 15, 2003, in docket 2180-TI-136.

2. Verizon is a price-regulated telecommunications utility as defined in Wis. Stat. § 196.196.

3. The Commission has jurisdiction under Wis. Stat. § 196.196(1)(c) and Wis. Admin. Code ch. PSC 163 to issue an order establishing infrastructure investment components together with benchmark ranges and component weights.

### **Opinion**

Appendix B sets forth infrastructure investment components together with benchmark ranges and component weights to be used in calculating the productivity offset on Verizon's anniversary date in the year 2005. Measurement timeframes for infrastructure investment components shall be January 1, 2004, to December 31, 2004. Appendix B reflects results of discussions held between Commission staff and representatives of Verizon.

The investment components are designed to improve and promote switching technology, high-speed data transmission, wholesale services, and overall network quality. Each of the specific investment components is discussed below:

#### **Central Office Switch Upgrades**

This component represents the number of locations where GTD-5 base switches receive the Operations Gateway High Availability (OGHA) upgrade. This switching technology improvement introduces full redundancy for the operations gateway, and reduces outage time for disaster recovery.

### **Remote Line Unit (RLU) Replacement**

This component represents the number of locations where GTD-5 remote line units (RLU) will be removed and replaced with distributed multiplexed line module frames. This will provide these exchanges with technology capable of supporting upcoming new features.

### **Broadband Access**

This benchmark consists of locations where digital subscriber line (DSL) capability is being deployed to remote terminals in the exchanges. This will benefit wholesale customers by providing broadband connectivity to customers in rural areas who were previously beyond the DSL service limits from the central office in their exchange.

### **Service Improvement**

This infrastructure measurement relates to the improvement of exchange network facilities targeted to eliminate causes of customer trouble reports. Verizon's Trouble Analysis System (TAS) database analyzes customer reported trouble to allow isolation and identification of defective outside plant facilities that may be causing that trouble. Further analysis by field technicians and local engineers confirm and prioritize the need for capital expenditures to correct the problem. This program is administered by the Verizon Trouble Administration Center (TAC) and tracked and monitored through standard reports.

### **Order**

The infrastructure investment components, together with benchmark ranges and component weights set forth in Appendix B shall be evaluated against Verizon's 2004

Docket 2180-TI-138

infrastructure performance, and used in calculating the adjustment to the productivity offset on

Verizon's anniversary date in the year 2005.

Dated at Madison, Wisconsin, \_\_\_\_\_

By the Commission:

\_\_\_\_\_  
Lynda L. Dorr  
Secretary to the Commission

LLD:CWL:reb:clf:dwh:g:\order\pending\2180-TI-138 Final.doc

See attached Notice of Appeal Rights

Notice of Appeal Rights

Notice is hereby given that a person aggrieved by the foregoing decision has the right to file a petition for judicial review as provided in Wis. Stat. § 227.53. The petition must be filed within 30 days after the date of mailing of this decision. That date is shown on the first page. If there is no date on the first page, the date of mailing is shown immediately above the signature line. The Public Service Commission of Wisconsin must be named as respondent in the petition for judicial review.

Notice is further given that, if the foregoing decision is an order following a proceeding which is a contested case as defined in Wis. Stat. § 227.01(3), a person aggrieved by the order has the further right to file one petition for rehearing as provided in Wis. Stat. § 227.49. The petition must be filed within 20 days of the date of mailing of this decision.

If this decision is an order after rehearing, a person aggrieved who wishes to appeal must seek judicial review rather than rehearing. A second petition for rehearing is not an option.

This general notice is for the purpose of ensuring compliance with Wis. Stat. § 227.48(2), and does not constitute a conclusion or admission that any particular party or person is necessarily aggrieved or that any particular decision or order is final or judicially reviewable.

Revised 9/28/98

APPENDIX A

This proceeding is not a contested case under Wis. Stat. ch. 227. Therefore there are no parties to be listed or certified under Wis. Stat. § 227.47. However, an investigation was conducted, and the persons listed below participated.

Public Service Commission of Wisconsin  
*(Not a party but must be served)*  
610 North Whitney Way  
P.O. Box 7854  
Madison, WI 53707-7854

VERIZON NORTH INCORPORATED  
Mr. Richard Armstrong  
100 Communications Drive  
P.O. Box 49  
Sun Prairie, WI 53590

SBC WISCONSIN  
Mr. Michael Klasen  
722 North Broadway  
Milwaukee, WI 53202-4396

CITIZENS UTILITY BOARD  
16 North Carroll Street Suite 300  
Madison, WI 53703-2763

WISCONSIN DEPARTMENT OF JUSTICE  
Mr. Ed Hughes  
123 West Washington Avenue  
Madison, WI 53707-7857

WISCONSIN STATE TELECOMMUNICATIONS ASSOCIATION  
Mr. Nick Lester  
6602 Normandy Lane  
Madison, WI 53719

Verizon North Incorporated  
 Infrastructure Investment Benchmarks for Anniversary  
 Date in the Year 2005 (2004 Measurement Timeframe)

Component	Maximum Productivity Offset Values		Productivity Offset Benchmarks <sup>3</sup>		
	Disincentive	Incentive	Disincentive	Half Incentive	Full Incentive
Central Office Switch Upgrades		.30%		18-26	>=27
RLU Replacement	.05%		<=1		
Broadband Access		.30%		See note <sup>4</sup> below	>=15
Service Improvement – Troubles Eliminated	.05%	.30%	<= 1,354	1,807-2,258	>= 2,259
Total Infrastructure Investment	.10%	.90%			

<sup>3</sup> To qualify for the incentive, the equipment must be in service and available to any intended customers by December 31, 2004.

<sup>4</sup> Incentive of 0.10% for 5 remote terminals. Additional incentive of 0.02% for each additional remote terminal, up to maximum of 0.30% for 15 remote terminals.